

The final point I would make is the President's message to Congress on why he would be against us funding this. He made some significant points, and I will summarize them. One is they do not think this is necessary. No. 2, it violates clear contracting guidelines. And, No. 3, it sets a terrible precedent for the future, not just on our coast but for any other defense contractor that might have a loss based on a natural catastrophe, that we would now have a precedent that we would supply that.

The American people want to help solve the problems on the gulf coast. We want to create a vigorous business environment. We want to create a vigorous defense industry. This is a step too far. I believe we need to back up and let the private sector take care of its obligations, as it should, to help us meet our obligations and then move forward.

With that, I yield the floor.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. COCHRAN. Mr. President, I am sympathetic to the Senator's concerns, that he expressed. As I understand the point he makes, it is that we should not create a situation where a shipbuilder can both get disaster funds from the Federal Government and insurance benefits from hurricane coverage and, thereby, be unjustly enriched by getting money from two different sources for one disaster.

The language of the general provision, which the Senator purports to amend with this amendment, prevents a shipbuilder from getting double payment, in effect. The Senator's amendment strikes the provision and the language in the provision which guarantees that.

I think there is no disagreement between us as to what the outcome ought to be. What we are trying to do is reduce costs to the U.S. Navy and, thereby, to the U.S. taxpayers for future shipbuilding activity by reimbursing the shipbuilder for damages caused by the hurricane, purely and simply. There is no effort to prevent the shipbuilder from recovering what it is entitled to recover from the insurance companies that had coverage in this situation.

But the fact is, you could not get insurance coverage for all of the damages done by the hurricane, only some. The policy defines the obligation. The contract, in effect, between the shipbuilder and the insurance company defines what benefits the shipbuilders are entitled to receive. And these contracts are being honored, some maybe not as generously as the shipbuilder would like. But that is something to be reserved between the shipbuilder and the insurance carrier. And if litigation develops and is resorted to as a way to resolve that, so be it; that happens.

But what we are seeking to do is to acknowledge that the shipbuilder was impeded by the hurricane from proceeding under contracts that it had with the Navy to hire and make avail-

able workers on a reliable, predictable schedule that would ensure the ships' future construction on time under the contract.

Some of those costs cannot get reimbursed from the insurance company. There are provisions in the insurance agreements that prohibit the collection of benefits for some of those costs that were caused directly by the hurricane.

So what we have attempted to do is to work with the Navy, consult with the shipbuilder, and try to provide authority in this supplemental bill to help control costs of ships, now and in the future, with a possibility of insurance proceeds offsetting Government costs. Or we can exclude this provision, as the Senator is trying to do, and pay the resulting higher costs through higher taxes, more appropriations to help pay the costs to the Navy to pay for the ships.

To me, I think this amendment reflects a difference in understanding of what the language of the supplemental seeks to accomplish. We do not disagree with the motivation of the Senator from Oklahoma. We applaud his effort to review carefully and make sure we are not "wasting" money in this supplemental, that the taxpayer is benefiting, not a shipbuilder being unjustly or inappropriately enriched. I guarantee you that is not the purpose of the assistance that is provided in this section of the bill, this general provision of the bill.

Here is what it seeks to do. And we think it does do this: The general provision adjusts ship contract target costs for the effects of Hurricane Katrina. It provides the U.S. Navy with reimbursement of future shipbuilder insurance receipts. And it makes clear that payments made by the Government to the shipbuilder could not be treated as collateral insurance coverage and could not be used as a reason for insurers not to honor their policy obligations.

That is the purpose of the general provision. I challenge anybody to disagree with that purpose as laudable, as important, and as fair to the taxpayers, to the shipbuilder, and to the insurance companies that have coverage.

This provision was included because it is clear that the impact for delaying the recapitalization of the shipyards will have long-term negative impacts to the Navy's shipbuilding program by making ships more expensive and taking longer to build.

We can provide this authority now to help control the costs of ships, and with the possibility of insurance proceeds offsetting Government costs, or we can exclude this provision and pay for the resulting higher costs of ships.

And note this. The estimated cost of this provision is \$140 million, to be paid from within the \$2.7 billion the President requested in the shipbuilding account. Hear that? The President requested \$2.7 billion in his submission in this request. And a 3- to 6-month ship-

yard recapitalization delay is estimated to cost \$300 to \$600 million in increased ship costs.

This is serious business. You can pay me now or pay me later. I guess that is the way to say it. But the whole point is, we can appropriate this money in this supplemental that the President requested. We have identified the part that is going to be used to pay the costs of this amendment.

So in response to Hurricane Katrina and the disaster that resulted to the region, the President requested over \$2½ billion—\$1 billion in this supplemental and \$1.7 billion in the last supplemental—in the Shipbuilding and Conversion Navy account to address these ordinary costs to replace destroyed or damaged equipment, prepare and recover naval vessels under contract, and, most relevant to this debate, provide for cost adjustments for naval vessels for which funds have been previously appropriated.

So what happened is the President's request did not address or take into account all costs associated with Katrina. So a general provision was added to adjust an existing Navy ship contract's target costs for the effects of Hurricane Katrina. It ensures the industry does not receive redundant funding from the Government and insurance companies. But—guess what—the amendment offered by the Senator, my friend, deletes this provision. That should not be done.

The focus of this supplemental is to provide disaster relief and recovery for hurricanes, including Katrina. Katrina caused the costs of ships that were already under contract with the Navy to increase. Increased costs were occurring because of the disaster.

The provision included in the bill does not impose additional costs. Instead, it directs that all costs be paid from within the \$2.7 billion shipbuilding account requested by the President to address the hurricane recovery costs.

In my view, the Senate needs to reject the amendment of the Senator. Let's carry forward in this bill this general provision.

The PRESIDING OFFICER. The Senator from Mississippi.

Mr. LOTT. Mr. President, let me address a question to the distinguished chairman of the committee because I thought his remarks were very well done and answered a number of questions that have been put out in the discussion of this language in the media. But I think it is important to clarify a few of those points.

The first point you are making is that this is not an additional or added expenditure. This will come out of the \$2.7 billion that has already been requested to go into this shipbuilding recovery effort; is that correct?

Mr. COCHRAN. Mr. President, if the Senator will yield, he is absolutely correct. There is, in this general provision, a reference to the \$2.7 billion that is contained in the President's request